

LambdaStar JF, LLC  
EQT Infrastructure Limited  
c/o Hudson-York Capital, LLC  
40 Fulton Street  
New York, NY 10038

May 5<sup>th</sup>, 2011

The Harrisburg Authority  
212 Locust Street, Suite 302  
Harrisburg, PA 17101-7107  
Attention: J. Marc Kurowski, Chairman

Dear Chairman Kurowski:

We are writing you at the direction of the Act 47 Team for the City of Harrisburg (the "Act 47 Team"), and in response to its invitation to submit a proposal for a concession and lease of the The Harrisburg Authority's ("THA" or the "Authority") Resource Recovery Facility (the "Facility"). We understand that THA is an independent municipal authority and is not under or subject to Pennsylvania's Act 47 process. However, given the current status of the Act 47 process, the central role of the Facility in the circumstances giving rise to that process, and the publicly stated sentiment of all stakeholders in the process to not impede the Act 47 Team's development of a recovery plan, it seemed appropriate that our initial communications on this matter be with the Act 47 Team. With their recent request for a proposal on the Facility, we are pleased to submit this Letter of Intent to the Authority.

As you may know, affiliates of LambdaStar JF, LLC ("LJF") and EQT Infrastructure Limited<sup>1</sup> ("EQT") are two of the entities behind Harrisburg Public Parking LLC's ("HPP") \$215 million concession and lease offer in relation to the Harrisburg public parking system. As you may also be aware, HPP's \$215 million offer remains available to the City of Harrisburg and the Harrisburg Parking Authority.

To that end, we recently met with both the Act 47 Team and Cravath Swaine and Moore, LLP, in order to discuss the proposed parking lease and the financial dilemma facing all of the

<sup>1</sup> EQT Infrastructure Limited, a limited liability company organised under the laws of the Island of Guernsey, with registered office at National Westminster House, Le Truchot, St. Peter Port, Guernsey GY1 3RA, acting in its capacity as general partner of EQT Infrastructure (General Partner) LP, in turn acting in its capacity as (1) general partner of the EQT Infrastructure (No. 1) Limited Partnership, EQT Infrastructure (No. 2) Limited Partnership, EQT Infrastructure (No. 3) Limited Partnership and EQT Infrastructure (No. 4) Limited Partnership and (2) manager of the EQT Infrastructure Co-Investment Scheme.

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stakeholders in Harrisburg. Our discussions with those entities, and public comments from other stakeholders, made clear that an element of common agreement among all stakeholders was the desire for a *comprehensive solution* to Harrisburg's financial difficulties.


In response to this sentiment, LJP and EQT began to consider ways in which we could potentially help facilitate such a comprehensive solution. The product of those efforts is the proposed terms for a concession and lease of the Facility set forth below. Significantly, the proposed Facility lease, combined with the \$215 million parking lease, should provide the stakeholders with sufficient funds to retire or defease the presently outstanding bond debt related to the Facility. Any remaining debt and/or repayment obligations on guaranty payments would be manageable and addressed relatively easily by the stakeholders. As such, a comprehensive solution could be achieved.

Assuming the Authority is interested in pursuing this proposal, LJP and EQT fully understand that the parties would need to incorporate their understanding into a mutually acceptable definitive agreement (the "Definitive Agreement") to be executed by the appropriate parties. We propose the terms and conditions set forth herein as the basis for said Definitive Agreement. However, we are cognizant of the desire of all stakeholders to not preempt the Act 47 Team's recovery plan. Accordingly, we are amenable to coordinating the transaction process contemplated below with the Act 47 process.

- Concession and Lease: An entity formed by LJP and EQT (the "Concessionaire") would enter into a concession and lease agreement for the Facility. The concession and lease would entitle the Concessionaire to all revenues generated by the Facility during the concession and lease term.
- Concession and Lease Payment: One hundred forty million dollars (\$140,000,000.00) would be paid, in cash, at closing by the Concessionaire to THA.
- Concession and Lease Term: Ninety-nine (99) years (the "Term").
- Capital Expenditures: Subject to the qualifications set forth below, the Concessionaire will be responsible for all capital expenditures related to the Facility during the Term.
- Flow Control Agreements: Appropriate flow control agreements, in the form attached to the Definitive Agreement, and related ordinances passed by the County of Dauphin, the City of Harrisburg and any other appropriate parties as a condition precedent to closing.

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- Facility Ownership:** In order to maximize the ability to maintain flow control, and as a condition precedent to closing, the title to the Facility would be transferred to a new, joint municipal authority created by the City of Harrisburg and County of Dauphin (the "Joint Authority").
- Facility Bond:** Concessionaire shall be responsible for returning the Facility to the Joint Authority in good and working condition, compliant with applicable laws, and to ensure such condition upon return Concessionaire shall post a bond five (5) years prior to the expiration of the Term in the favor of Joint Authority and in an amount to be determined by the parties.
- Operating Standards:** Consistent with the vestiges of municipal control maintained by the Joint Authority, operating standards relative to Facility operations during the term will be negotiated with the Authority which will be monitored and enforced by the Joint Authority.
- Tipping Fees:** Pursuant to the Definitive Agreement, and consistent with its ongoing municipal control over the Facility, the Joint Authority shall establish maximum tipping fee rates that (a) for the City of Harrisburg, reflect the tipping fee rates for the City at the time of closing times an applicable Consumer Price Index factor and (b) for any other municipalities in the County of Dauphin, reflect the tipping fee rates for the County at the time of closing plus \$10.00/ton times an applicable Consumer Price Index factor.
- Steam Line Financing:** Within 36 months from closing, Concessionaire shall have the right to secure a loan and or financing from the Joint Authority to cover the costs of repairing the steam line from the Facility necessary for the sale of steam generated at the Facility. Such costs shall be those costs identified by a licensed and qualified engineer, selected by the Concessionaire, at the time of the loan or financing. The Joint Authority, and the City of Harrisburg and County of Dauphin, shall take all necessary actions, including the

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provision of debt guarantees and pledges of the full faith and credit of the municipalities, to facilitate such loan or financing. The repayment term related to the financing shall not be for less than ten years. To the fullest extent possible, the maximum annual repayment obligation on any loan or financing from Concessionaire shall be the net incremental revenue from the sale of steam as compared to the sale of electricity generated by the Facility in conjunction with any necessary end of term balloon payment. After full repayment of any such loan or refinancing, the Joint Authority shall be entitled to 5% of any incremental net profits realized from the sale of steam generated at the Facility as opposed to the sale of electricity.


**Excluded Liabilities:**

Except as set forth in the Definitive Agreement, all liabilities relating to the period of time prior to the closing date shall be retained and paid by THA and all liabilities relating to the period of time after the closing shall be paid by the Concessionaire.

**Exclusivity:**

In order to induce Concessionaire to commit the resources, forego other potential opportunities, and incur the legal, accounting and incidental expenses necessary to evaluate the possibility of entering into the concession and lease described above, and to negotiate the terms of, and consummate, the transaction described hereby, from the date of the execution of this Letter of Intent and until (a) execution of the Definitive Agreement, (b) 30 days from the execution of this Letter of Intent (subject to extensions mutually agreed to by the parties in writing), or (c) the termination of negotiations by THA or the Concessionaire prior to the 30<sup>th</sup> day from the execution of this Letter of Intent, whichever first occurs (the "Outside Date"), the Authority and/or any of its agents, officers, directors, employees, affiliates, representatives or other person acting on any of their behalf, including the City of Harrisburg and its agents, officers, directors, employees, affiliates, representatives or other person acting on its behalf, will not initiate, solicit, negotiate or accept any offer, inquiry or

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information request in relation to the Facility from any person affiliated with any Business Combination (as defined below).

For purposes hereof, "Business Combination" means and includes any sale, lease, transfer, conveyance or other disposition of all or any part of the Facility, or any interest therein and/or any transaction which is otherwise an alternative to the transaction described in this Letter of Intent.

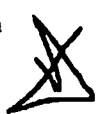
**Due Diligence Period:**

Concessionaire, directly and through its representatives, shall have the right for a period commencing on execution of this Letter of Intent and for 120 business days following the date of execution of the Definitive Agreement (the "Due Diligence Period") to conduct such independent investigations as it deems appropriate on and in respect of the Facility (the "Investigation").

Concessionaire may undertake its Investigation at any reasonable time, upon reasonable advance notice, but in a manner that is minimally disruptive to the operation of the Facility and complies with all applicable laws, ordinances, rules, regulations and orders.

THA shall cooperate in such Investigation and make available to Concessionaire copies of any and all information in its files or under its control in respect of the Facility, including, without limitation, the books, records, financial statements, accounts receivable, accounts payable, licenses, leases, intellectual property filings, customer lists, customer contracts, vendor agreements, and such other documentation as may relate to the Facility or is otherwise requested by Concessionaire.

Concessionaire's proceeding to closing is contingent upon Concessionaire being satisfied with respect to the Investigation and completion of such due diligence. Concessionaire shall have the right, for any or no reason, if the results of its due diligence investigation are not reasonably satisfactory to Concessionaire in its sole

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discretion, to terminate the Definitive Agreement, if then executed, or this Letter of Intent at any time during the Due Diligence Period. Upon such termination, neither party shall have any rights or obligations to the other party.

Should the transaction not be consummated for any reason whatsoever, the Concessionaire shall deliver to THA all documents, work papers and other material obtained in such investigation (other than any privileged documents, internal studies or other documents prepared by Concessionaire incorporating such information).

**Confidentiality:**


The parties will enter into a Confidentiality Agreement with respect to the exchange of confidential information during the Due Diligence Period.

**Parking Transaction:**

In recognition that (a) LJP and EQT have as their primary interest and desire the closing by HPP of the concession and lease of the Harrisburg public parking system, (b) that said parties are not interested in leasing and operating the Facility in lieu of said parking lease and are only proposing the same to help THA and the other stakeholders to develop a comprehensive solution to Harrisburg's financial dilemma, and (c) the bonds on the Facility would need to be retired or defeased in order to consummate any sale or lease of the Facility and that the proposed parking lease (in conjunction with the Facility lease) is the only way to achieve such retirement or defeasance, the approval by Harrisburg City Council and the Harrisburg Parking Authority of either the \$215 million/75 year lease or the \$195 million/50 year lease of the Harrisburg public parking system proposed by HPP, as further negotiated by said parties, is a condition precedent to closing on the concession and lease of the Facility.

**Right of First Refusal Payment**

In the event the current operator of the Facility, Covanta, exercises its right of first refusal set forth in that certain operating agreement between THA and Covanta in relation to this Letter of Intent or the related Definitive Agreement, or in the event THA enters into any other agreement to sell

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or lease the Facility at any time after executing this Letter of Intent or within 12 months of the execution of the Definitive Agreement, or if LJV and EQT are satisfied with their Investigation and do not terminate at the conclusion of the Due Diligence Period and are prepared to close and THA or the County do not pass the legislation required or execute the requisite agreements as required in the Definitive Agreement to close the transaction, the Authority and any other parties to the Definitive Agreement shall be jointly and severally liable for, and shall make, a \$10 million payment to LJV and EQT.

**Costs/Expenses:**

Each party shall pay its own costs and expenses related to the negotiation, execution and performance of this Letter of Intent and the Definitive Agreement.

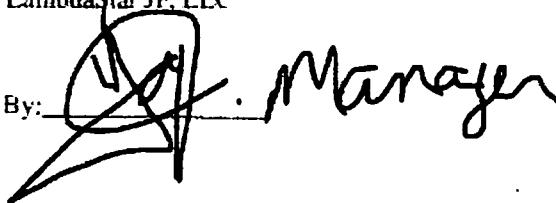
This Letter of Intent is an expression of the intent of the parties only, and nothing herein shall create any legally binding obligation (except as to those matters referred to in the Sections with the headings "Due Diligence Period," "Confidentiality," "Exclusivity," "Right of First Refusal Payment," and this paragraph, which shall be binding (the "Binding Sections"). No obligations, other than those under the Binding Sections, shall arise unless and until the Definitive Agreement shall have been entered into by the Concessionaire and THA; *provided, however*, that the parties agree to negotiate in good faith to finalize the Definitive Agreement setting forth substantially the terms outlined herein.

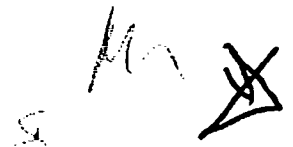
Please confirm that the foregoing correctly sets forth our understanding by signing and returning to me the duplicate copy of this Letter of Intent, which we have signed intending to be legally bound with respect to the Binding Sections.

This Letter of Intent may be executed in the original or by facsimile in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

Very truly yours,  
LambdaStar JF, LLC

By:

 . Manager



The Harrisburg Authority  
May 5, 2011  
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EQT Infrastructure Limited

By: 

Michael Newton  
Director

Agreed to and accepted this \_\_\_ of May, 2011

  
Nigel Govett  
Director

The Harrisburg Authority

By: \_\_\_\_\_

County of Dauphin, Pennsylvania

By: \_\_\_\_\_

CC: Hon. Westburn Majors  
Hon. William J. Cluck  
Mr. Joseph L. Boyle  
Mr. Frederick A. Reddig  
John W. Espenshade, Esq.  
Ms. Catherine Tuck Parrish  
Hon. Robert O'Donnell  
Hon. Jeffrey Haste  
Hon. George P. Hartwick III  
Hon. Mike Pries  
Hon. Linda D. Thompson  
Hon. Gloria Martin-Roberts  
Hon. Patty Kim  
Hon. Susan Brown-Wilson  
Hon. Brad Koplinski  
Hon. Eugenia Smith  
Hon. Kelly Summerford  
Hon. Wanda R.D. Williams  
Richard Levin, Esq.